

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PURCHASED GAS ADJUSTMENT)	
FILING OF THE UNION LIGHT,)	CASE NO. 7268-X
HEAT AND POWER COMPANY)	

O R D E R

On April 13, 1979, the Commission issued its Order in Case No. 7268, approving certain rates and providing under certain conditions for adjustment of such rates when the wholesale cost of gas is increased or a refund is received under the provisions of the gas cost adjustment set forth therein.

On August 5, 1981, The Union Light, Heat and Power Company ("Applicant") notified the Commission that its wholesale cost of gas would be increased by its supplier, Columbia Gas Transmission Corporation ("Transmission") effective September 1, 1981.

On July 31, 1981, Transmission filed with the Federal Energy Regulatory Commission ("FERC") a rate increase to become effective September 1, 1981. The Commission has no jurisdiction in that case.

The Applicant's notice of August 5, 1981, set out certain revisions in rates which the Applicant proposed to place in effect, said rates being designed to increase the cost of natural gas of its supplier in the amount of \$9,020,412.

On November 9, 1978, the President of the United States signed into law the Natural Gas Policy Act of 1978, which established significantly higher rates for producers of certain categories of natural gas. This federal legislation has resulted in higher gas costs to interstate pipeline companies serving the various gas consuming states, including Kentucky. Once the FERC approves the right of these interstate transmission companies to pass this increased cost on to its distribution company customers, state commissions must, in turn, pass on the matter of interstate distributors recovering their increased cost of gas by adjusting their basic rates to their customers.

After reviewing this evidence of record and being advised, the Commission is of the opinion and finds that:

(1) The Commission has long stated (in writing to FERC) its opposition to the procedures and regulations used by the federal energy regulatory agency in approving these supplier increases. We continue to be opposed and are continuing to seek alternative ways to overcome the regulatory inequities which have such a direct impact on the retail customers.

(2) The Federal Energy Regulatory Commission approval of a wholesale rate increase to a Kentucky gas retailer requires approval by the Commission of rates that will permit the Kentucky utility to adjust its customer charges to reflect the added purchase cost, or alternately the utility must absorb the added cost. We are of the opinion that failure to allow this increase to be passed through to its retail consumers on a timely basis would be unjust to the Company and would ultimately result in higher rates to their consumers in any event.

(3) When the FERC "accepts" Transmission's filing, Transmission will begin charging the Applicant the new rates. This Order cannot be implemented until and unless this occurs.

(4) The Applicant's supplier, Transmission, has filed with the FERC for increased rates to become effective September 1, 1981.

(5) This increase reflects Transmission's rates as filed with FERC on July 31, 1981, and to be effective September 1, 1981.

(6) The Commission should allow the Applicant to place into effect, subject to refund, the rates set out in Appendix A as soon as Transmission's filing is "accepted" by FERC.

(7) The Applicant's adjustment in rates under the purchased gas adjustment clause approved by this Commission in its Order in Case No. 7268, dated April 13, 1979, is fair,

just and reasonable, in the public interest and should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

IT IS THEREFORE ORDERED that said purchased gas adjustment sought by the Applicant and adjusted as aforesaid be and the same is hereby approved to be effective subject to refund, with gas supplied on and after the date the increased cost of wholesale gas becomes effective ("acceptance" by FERC), as set out in Appendix A attached hereto and made a part hereof.

IT IS FURTHER ORDERED that Union Light, Heat and Power Company shall maintain its record in such manner as will enable it, or the Commission, or any of its customers to determine the amount to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that for the purpose of the future application of the gas cost adjustment clause of the Applicant the average cost shall be:

	<u>Per Mcf</u>
Firm Sales	3.8706
Off-peak	3.6113

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant on August 5, 1981, constitutes full compliance with the Commission's Order in Case No. 7268, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

IT IS FURTHER ORDERED that within 30 days after the date the increased cost of wholesale gas becomes effective Applicant shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 26th day of August, 1981.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 7268-X DATED
AUGUST 26, 1981

The following rates are prescribed for the customers
in the area served by The Union Light, Heat and Power Company.
All other rates and charges not specifically mentioned herein
shall remain the same as those in effect under the authority
of the Commission prior to the date of this Order.

Rates GS

Net Monthly Bill

	PGA ¢ per 100 cu. ft.*	Rate
First 1,000 cubic feet at 16.97¢		61.52¢ per 100 cubic feet
Next 1,000 cubic feet at 16.97¢		48.94¢ per 100 cubic feet
Next 4,000 cubic feet at 16.97¢		46.02¢ per 100 cubic feet
Next 144,000 cubic feet at 16.97¢		45.04¢ per 100 cubic feet
Additional cubic feet at 16.97¢		44.38¢ per 100 cubic feet

Special Contract Gas Rates

<u>Off-peak Rate</u>	<u>PGA</u>	<u>Rate</u>
All Consumption	17.87¢	41.17¢ per 100 cubic feet
<u>Firm Rate</u>		
All Consumption	16.97¢	42.51¢ per 100 cubic feet

* Reflects Firm Refunding Rate of
1.10¢ as approved in Case No. 7268-Q